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UNCLAS SECTION 01 OF 02 ROME 003006

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STATE FOR EUR/ERA, EB/IFD/OMA
STATE ALSO PASS TO SEC - FRIEDMAN
STATE ALSO PASS FRB - O'DAY
TREASURY FOR DAS SOBEL, MONROE
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FRANKFURT FOR TREASURY - WALLAR

E.O. 12958: N/A
TAGS: [EFIN](#) [EU](#) [EU](#) [IT](#) [ITEFIN](#)
SUBJECT: KEY ADVISOR TO EU PARLIAMENTARIAN ON EU FINANCIAL SERVICES ACTION PLAN AND BILATERAL INVESTMENT TREATIES

REF: A. A: STATE 79760

[¶](#)B. B: STATE 822480 AND PREVIOUS

[¶](#)1. (U) THIS IS AN ACTION REQUEST. SEE PARAGRAPH SIX.

[¶](#)2. (SBU) SUMMARY. THE EU'S FINANCIAL SERVICES ACTION PLAN (FSAP) REPRESENTS A GIANT STEP FORWARD FOR EUROPE, ARGUED ALESSANDRO MARIA POGGIALI, A SENIOR ADVISOR TO EU PARLIAMENTARIAN, RENATO BRUNETTA. WITH DETAILS OF THIS ACTION EMERGING FROM THE COMMISSION, POGGIALI DOES NOT EXPECT THAT ITALY WILL HAVE ANY STRONG OBJECTIONS. ITALIAN INVESTMENT AND FINANCIAL FIRMS ARE, HOWEVER, CONCERNED THAT THEY WILL NOT BE COMPETITIVE IN A HARMONIZED EUROPEAN FINANCIAL MARKET. POGGIALI APPRECIATED HEARING U.S. VIEWS ON THIS FINANCIAL SERVICES PLAN. ON AN UNRELATED TOPIC, WE RAISED USG CONCERNS ABOUT THE TREATMENT OF BILATERAL INVESTMENT TREATIES BETWEEN THE U.S. AND CANDIDATE COUNTRIES WITH POGGIALI. END SUMMARY.

[¶](#)3. (U) PER REFTEL INSTRUCTIONS, WE ARE SETTING UP MEETINGS TO DISCUSS THE EU'S FINANCIAL SERVICES ACTION PLAN. WE HAVE DISCUSSED REFTEL POINTS WITH OFFICIALS AT THE FINANCE MINISTRY, WHO HAD ONLY A VAGUE KNOWLEDGE OF THE PLAN, AND WHO INDICATED THAT ALL THE ACTION AND DISCUSSIONS ARE OCCURRING UNCLASSIFIED

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IN BRUSSELS. POGGIALI IS THE SENIOR ADVISOR ON ECONOMIC ISSUES TO EU PARLIAMENTARIAN, RENATO BRUNETTA. AN INFLUENTIAL MEMBER OF ITALY'S FORZA ITALIA PARTY, BRUNETTA IS PART OF THE PRIME MINISTER'S INNER CIRCLE ON ECONOMIC ISSUES. POGGIALI IS FAMILIAR WITH THE FINANCIAL SERVICES PLAN, AND INDICATED HE WILL PLAY A CRITICAL ADVISORY ROLE ON THIS ISSUE DURING THE PARLIAMENTARY DEBATE.

[¶](#)4. (SBU) ACCORDING TO POGGIALI, THE COMMISSION'S RAPPORTEUR FOR THE FINANCIAL SERVICES ACTION PLAN (FSAP) COULD PUBLISH A WORKING DOCUMENT BY THE END OF JUNE. UNDER THIS TIMETABLE, THERE WILL BE A PARLIAMENTARY EXCHANGE OF VIEWS BEFORE THE SUMMER RECESS AND A SECOND EXCHANGE OF VIEWS BY THE END OF AUGUST. IF THE PROCESS UNFOLDS SMOOTHLY, A FINAL REPORT COULD BE ISSUED IN SEPTEMBER, WITH A COMMITTEE VOTE IN OCTOBER, AND A PLENARY VOTE IN NOVEMBER.

[¶](#)5. (SBU) WE SHARED WITH POGGIALI REFTEL POINTS, WHICH underscored the USG's general support for the FSAP but also our concern that the plan's implementation could result in discriminatory treatment of U.S. firms. POGGIALI EMPHASIZED THAT SUCH IS NOT THE INTENT OF THE FSAP, AND THAT ITS GOAL IS A TRANSPARENT AND COMPETITIVE MARKET. WE ALSO RAISED OUR CONCERNS ABOUT SUCH ISSUES AS "EQUIVALENCY". (PER REFTEL, EQUIVALENCY REFERS TO THE REQUIREMENT FOR FIRMS FROM THIRD COUNTRIES THAT OPERATE IN THE EU TO EXPLICITLY COMPLY WITH EU PROSPECTUS STANDARDS.)

[¶](#)6. (U) ACTION REQUEST: POGGIALI ASKED FOR SPECIFIC POINTS IN WRITING THAT SPELL OUT USG CONCERNS. POST BELIEVES THIS WOULD BE USEFUL, AND IF A NON-PAPER EXISTS, REQUESTS TEXT AND UNCLASSIFIED

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AUTHORIZATION TO SHARE WITH POGGIALI AND GOI OFFICIALS.

[¶](#)7. (SBU) WHEN QUERIED IF THE COMMISSION AND PARLIAMENT ARE SEEKING THE ADVICE AND OPINION OF FINANCIAL FIRMS, POGGIALI SAID THAT HE HAS SPOKEN WITH OFFICIALS FROM CONSOB (ITALY'S EQUIVALENT TO THE SECURITIES AND EXCHANGE COMMISSION) AND FROM ABI, THE ITALIAN BANKING ASSOCIATION. BOTH CONSOB AND ABI EXPRESSED STRONG SUPPORT FOR THE FSAP, BUT OFFICIALS ALSO underscored their concern that Italian financial firms will not be able to compete in this new, harmonized market. CONCURRING, POGGIALI SAID HE HAS HEARD A GENERAL UNEASE FROM ITALIAN FINANCIAL FIRMS, WHO FEAR THAT THEY WILL BE BOXED OUT

BY OTHER EUROPEAN FINANCIAL FIRMS IN THEIR OWN MARKET.
(COMMENT: WE ALSO CONCUR. ITALIAN FINANCIAL FIRMS FOCUS PRIMARILY ON THE HOME MARKET. FEW FOREIGN INVESTMENT AND RETAIL BANKS ARE PRESENT IN THIS MARKET. LABYRINTHINE RULES, RED TAPE, MINIMAL NEED FOR STOCK AND BOND OFFERINGS (SINCE MOST BUSINESSES ARE SMALL OR MEDIUM-SIZED, AND FAMILY-OWNED) GIVE THE ADVANTAGE TO ITALIAN FIRMS AND MAKE THE ITALIAN MARKET LARGELY UNATTRACTIVE TO FOREIGN FIRMS. ITALIAN FIRMS HAVE NOT VENTURED MUCH BEYOND ITALY'S BORDERS INTO THE REST OF THE EU. UNLESS ITALIAN FINANCIAL FIRMS QUICKLY ADOPT A MORE COMPETITIVE STRATEGY, WITH AN OPEN, TRANSPARENT AND

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ACTION EUR-00

INFO	LOG-00	AID-00	CEA-01	CIAE-00	COME-00	CTME-00	DODE-00
	ITCE-00	SRPP-00	EB-00	EXME-00	E-00	UTED-00	VC-00
	FRB-00	H-01	TEDE-00	INR-00	IO-00	ITC-01	LAB-01
	L-00	AC-01	NSAE-00	NSCE-00	OMB-01	OPIC-01	ACE-00
	SEC-01	SP-00	SSO-00	SS-00	STR-00	TEST-00	USIE-00
	FMP-00	EPAE-00	DRL-02	G-00	NFAT-00	SAS-00	/010W

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P 191432Z JUN 02
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 4338
INFO EU CANDIDATE STATES COLLECTIVE PRIORITY
EU MEMBER STATES COLLECTIVE PRIORITY
AMCONSUL FLORENCE PRIORITY
AMCONSUL FRANKFURT PRIORITY
AMCONSUL MILAN PRIORITY
AMCONSUL NAPLES PRIORITY
DEPT OF TREASURY WASHDC PRIORITY
USEU BRUSSELS PRIORITY 2719

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HARMONIZED MARKET, MANY WILL LOSE GROUND IN ITALY AND EFFECTIVELY BE LOCKED OUT OF OTHER EUROPEAN MARKETS. END COMMENT.)

BILATERAL INVESTMENT TREATIES

18. (SBU) TAKING THE OPPORTUNITY TO DISCUSS GENERAL EU ECONOMIC ISSUES, WE RAISED USG CONCERN ABOUT THE COMMISSION'S TREATMENT OF BILATERAL INVESTMENT TREATIES, ESPECIALLY THOSE THE U.S. HAS WITH ACCESSION STATES (REFTEL B). POGGIALI WAS UNAWARE UNTIL NOW OF THIS CONTROVERSY BUT INDICATED HE WILL LOOK FURTHER INTO IT. COMPETENCY OVER INVESTMENT ISSUES, HE NOTED, IS STILL OPEN BETWEEN MEMBER STATES AND THE COMMISSION. UPON REFLECTION, HE THOUGHT THAT IF OUR CONCERN ABOUT COMMISSION ACTION ON BITS ARE VALID, THIS MAY BE ONE WAY THE COMMISSION IS TRYING TO EXERT COMPETENCY OVER THE ISSUE.

19. (SBU) POGGIALI ASKED WHETHER THE USG IS IN COMMUNICATION WITH COMMISSION OFFICIALS AND ACCESSION STATES, TO WHICH WE AFFIRMED POSITIVELY. ON EU CANDIDATE ISSUES IN GENERAL, HE SAID THE U.S. MAY WANT TO CONSIDER WORKING WITH THE "SPONSOR" COUNTRY IF THERE IS A SPECIFIC CONCERN RELATED TO A CANDIDATE
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COUNTRY. (NOTE: EACH EU CANDIDATE GOVERNMENT HAS A INFORMAL "PATRON"; ITALY IS THE SPONSOR FOR BULGARIA, GERMANY FOR POLAND. END NOTE.)
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